

METALINE CONTACT MINES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE QUARTER ENDED SEPTEMBER 30, 2013

GENERAL

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide information to assist you in better understanding and evaluating the Company's financial condition and results of operations. The Company recommends that you read this MD&A in conjunction with its Financial Statements for the quarter ended September 30, 2013.

OVERVIEW

Metaline Contact Mines (hereinafter "Metaline", "Company", "we", "us", or "our") is engaged in the business of acquiring, owning and managing precious and base metals royalties. Royalties are passive (non-operating) interests in mining projects that provide the right to receive revenue from such projects, after deducting specified costs, if any. Our revenues are and will be derived from royalty interests, and sale proceeds from the Golden Chest Mine. We do not conduct mining operations at this time. During the quarter ended September 30, 2013, we focused primarily on managing our royalty and business interests.

RESULTS OF OPERATIONS

For the quarter ended September 30, 2013, our gross royalty revenues from operations were \$5,820, versus \$5,335 in 2012, from the Pend Oreille/Metaline Zinc Mines.

Golden Chest Mine

We no longer receive royalties from operations at the Golden Chest Mine. The termination of royalties was due to the sale of our leasehold interests in the mine on December 15, 2010 to Golden Chest LLC, a joint-venture between New Jersey Mining Company and Marathon Gold USA Corporation, the United States subsidiary of Canadian-based Marathon Gold Corporation. Under the terms of the sale agreement, the company will receive a total of \$1,240,000, in the following installments: \$40,000 on December 15, 2010; \$75,000 on December 15, 2011; \$25,000 on December 15, 2012; \$25,000 on March 15, 2013; \$25,000 on June 15, 2013; \$25,000 on September 15, 2013; \$125,000 on December 15, 2013; \$150,000 on December 15, 2014; \$200,000 on December 15, 2015; \$350,000 on December 15, 2016; and \$200,000 on December 15, 2017. The Company will co-hold (along with the property owner) a first mortgage as collateral.

Subsequent to September 30, 2013, and effective October 15, 2013, the Sale Agreement between the Company, J.W. Beasley Interests LLC, and Golden Chest LLC, on the Golden Chest Mine property, was amended, and the Company will now receive the payments according to the following schedule:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
09-15-13	\$ 10,000	03-15-15	\$ 37,500
11-30-13	\$ 15,000	06-15-15	\$ 37,500
12-15-13	\$ 31,250	09-15-15	\$ 37,500
03-13-14	\$ 31,250	12-15-15	\$ 50,000
06-15-14	\$ 31,250	03-15-16	\$ 50,000
09-15-14	\$ 31,250	06-15-16	\$ 50,000
12-15-14	\$ 37,500	09-15-16	\$ 50,000

12-15-16	\$ 87,500	09-15-17	\$ 87,500
03-15-17	\$ 87,500	12-15-17	\$100,000
06-15-17	\$ 87,500	03-15-18	\$100,000

The sale of the Golden Chest Mine was also restructured from a conventional mortgage secured transaction into a Contract for Deed, thus eliminating the time and expense of a formal foreclosure action in the event of a default by the buyers.

Pend Oreille/Metaline Zinc Mines

We received \$5,820 in advanced royalties from Teck American Incorporated (“Teck American”) for the quarter ended September 30, 2013, versus \$5,335 in 2012. The difference of \$485 was due to an increase in royalty payments pursuant to the terms of the lease agreement.

There were no costs of royalties during the quarter ended September 30, 2013, or for the same period in 2012.

Operating Loss

We had an overall operating loss of \$14,919 for the quarter ended September 30, 2013, compared to an operating gain of \$2 in 2012.

During the quarter ended September 30, 2013, our general and administrative expenses increased by \$15,406, to \$20,739, from \$5,333 in 2012. This increase was due to increases in management and directors’ fees, and administrative costs to \$20,739 from \$5,333. This increase was due predominately to the need for a Special Meeting of Directors during the negotiation and restructuring of the sale agreement with Golden Chest LLC on the Golden Chest Mine.

Other Income

During the quarter ended September 30, 2013, we earned \$10,004 in other income, compared to \$3 in 2012. The increase of \$10,001 was due to the amendment of the sale agreement on the Golden Chest Mine, whereby the Company received a \$10,000 payment on September 15, 2013, rather than zero in 2012.

Loss Before Taxes

We had a net loss before taxes of \$4,915 for the quarter ended September 30, 2013, compared to a net gain of \$5 in 2012, for the reasons discussed above.

LIQUIDITY AND CAPITAL RESOURCES

We have traditionally funded our capital requirements from royalty revenues from operations, dividends earned on our cash accounts, and other income. As of September 30, 2013, our cash and cash equivalent position was \$171,334, compared to \$101,649 on September 30, 2012. We have no debt, and do not expect to incur any debt in the near future. General and administration expenses continue to be our most significant capital requirements.

Provided we are able to maintain our current level of revenues and other income, we expect to be able to satisfy our anticipated cash expenditure requirements for the foreseeable future without the need of additional capital. If, however, our revenues and other income decrease considerably, or our expenses increase dramatically, depending on the circumstances thereof, we could require additional capital within 12 - 18 months. Our sources of additional capital include:

- (a) Increase Royalty Revenues. As a royalty-based company, increasing our royalty revenues from our current mining project is under the control of our lessee, Teck American. Factors that could influence our royalty revenues include: changes in precious and base metals prices; unanticipated grade, geological, metallurgical, processing or other problems; changes in project parameters as plans of the operators are refined; and other economic and market conditions.

Teck American has suspended commercial production at their nearby Pend Oreille Mine, and placed it on "care and maintenance" until the markets improve. Teck American continues to maintain our lease in good standing, including the payment of advanced royalties. However, any increase in revenues from our Pend Oreille/Metaline Zinc Mines project is not a viable option at this time.

As mentioned above, we sold our interests in the Golden Chest Mine and will be receiving no future royalty payments from New Jersey. We will, however, be receiving installment payments from the sale thereof as mentioned above.

- (b) Sale of Company's Common Stock. In today's economic climate for junior resource companies like us there are no assurances that we would be able to sell shares of our authorized, but unissued, common stock on acceptable terms. Such stock offerings are costly, can be legally restrictive, and dilutive to our shareholders.
- (c) Sale of Certain Assets. We own 32,500 shares of free-trading common stock in New Jersey Mining Company with a recorded value of \$14,089. The current market value of these shares is approximately \$2,400.

On December 15, 2010, we sold our leasehold interest in the Golden Chest Mine to Golden Chest LLC, a joint venture company owned by New Jersey Mining Company and the U.S. subsidiary of Canadian-based Marathon Gold Corporation. Under the terms of the amended sale agreement, we will receive a total of \$1,240,000, in installment payments through March 15, 2018, according to the schedule discussed above.

LITIGATION

In December of 2009, the Company was named as a co-defendant in a lawsuit initiated by Stimson Lumber Company ("Stimson"). Stimson is the owner of certain real property, located in Pend Oreille County, Washington, a portion of which is a site that contains hazardous materials as defined by the U.S. Environmental Protection Agency. In its suit, Stimson alleges the Company, at one time, either owned and/or operated the site, and is demanding the Company to pay its proportionate share of clean-up costs. The Company contends that it has neither owned, nor operated, the site, and, in fact, has never had anything whatsoever to do with the site, and has retained legal counsel to respond to the Stimson allegations.

On March 25, 2011, the lawsuit by Stimson Lumber Company against us described above was dismissed.

DIVIDEND

In April, 2012, the Company paid a ½-cent per share dividend, which dividend totaled \$74,716.